

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7134

BILL NUMBER: HB 1285

DATE PREPARED: Jan 15, 2002

BILL AMENDED:

SUBJECT: State Budget and Tobacco Settlement Funds.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill reduces certain appropriations for FY 2002-2003. It repeals the formula for distributions from the Tobacco Master Settlement. It also repeals the Tobacco Use Prevention and Cessation Trust Fund. The bill repeals the Health Care Trust Fund and makes corresponding changes in Medicaid eligibility. The bill repeals the Biomedical Technology and Basic Research Trust Fund. It also repeals the Local Health Department Trust Fund. It repeals the Prescription Drug Fund, but provides for funding for the program from the General Fund. It repeals the Regional Health Care Construction Account. The bill also repeals the Tobacco Farmers and Rural Community Impact Fund. The bill repeals the Children's Health Insurance Program. It also repeals the health insurance educator. It further repeals a fraud statute regarding the Children's Health Insurance Program.

Effective Date: July 1, 2002.

Explanation of State Expenditures: *Summary:* This bill repeals the formula for distributions from the Tobacco Master Settlement and requires that funds received are deposited in the General Fund. These provisions will increase General Fund revenues by \$150.8 M in FY 2003 and \$131.3 M in FY 2004, (with a corresponding decrease in the dedicated funds).

The bill also makes other changes in appropriations. and reduces appropriations from the Tobacco Master Settlement Fund by \$152.87 M in FY 2003 (after adjusting for biennial appropriations) and from the General Fund by \$10.56 M in FY 2003.

The bill will also provide for a one-time transfer of funds from the Tobacco Use Prevention and Cessation Fund to the General Fund of approximately \$7 M in FY 2003.

Individual Provisions of the Bill:

Hoosier Rx Provision: The bill appropriates \$20 M in state General Funds for the Hoosier Rx program. This

appropriation replaces the funding reduced from the Tobacco Master Settlement Fund.

Tobacco Settlement Provisions: The bill repeals the distribution formula of the Tobacco Master Settlement Agreement funds and provides that these funds are to be deposited in the General Fund. This will provide for General Fund revenue of \$150.8 M in FY 2003 and \$131.3 M in FY 2004.

The bill further reduces appropriations from the Tobacco Master Settlement Agreement Fund for FY 2003 to \$0 as provided in the following table.

Tobacco Master Settlement Agreement Fund Line Item Appropriations	Reduced to \$0 from PL 291-2001
Indiana Prescription Drug Program	(20,000,000)
Indiana Health Care Advisory Board (CHIP et.al.)	(38,200,000)
Community Health Centers	(15,000,000)
Carryover Capital Funds	(1,000,000)
Local Health Department Account	(3,000,000)
Tobacco Use Prevention and Cessation Board	(25,000,000)
Regional Health Care Construction Account	
Biennial Appropriation	(26,061,378)
Total Reductions in Tobacco Appropriations	(128,261,378)

The Regional Health Care Construction Account is a biennial appropriation and was available to be expended as of July 1, 2001. The status of any approved expenditures under this appropriation will depend upon actions recommended by the Budget Committee.

The bill does not address the following appropriations for FY 2003, although it repeals the enabling statutory authority and funding source.

Remaining Tobacco Settlement Appropriations	PL 291-2001
Local Health Maintenance Account	(1,400,000)
DDARS Administration	(3,000,000)
Developmentally Disabled Client Services	(27,270,000)
Biennial Appropriation \$43,649,546	
Tobacco Farmers and Rural Community Impact Fund	(5,000,000)
Total Tobacco Appropriations with no Funding	(36,670,000)

The bill provides that funds unexpended in the Tobacco Use Prevention and Cessation Trust Fund be transferred to the General Fund on July 1, 2002. The bill also repeals the authority for the Tobacco Agency.

The amount of funds to be transferred to the General Fund is estimated to be \$7 M.

The bill does not specifically mention what action is to be taken with regard to the trust portion of the Tobacco Master Settlement Fund. The balance of the Trust is estimated to be \$183.6 M at the end of FY 2002.

Reduction of General Fund Appropriations: The bill reduces the following appropriations to \$0 for FY 2003.

General Fund Appropriation Line Item	Reduced to \$0 from PL 291-2001
Council of State Governments Annual Dues	
Other Operating Expense	(127,000)
Conference of State Legislatures Annual Dues	
Other Operating Expense	(146,000)
Governor's Fellowship Program	
Total Operating Expense	(245,046)
Commission for the Status of Black Males	
Total Operating Expense	(125,859)
Office of Women's Health	
Total Operating Expense	(175,000)
Hoosier State Games	
Total Operating Expense	(225,000)
Commission on Race and Gender Fairness	
Total Operating Expense	(160,908)
Judicial Center	
Personal Services	(1,051,601)
Judicial Center	
Other Operating Expense	(772,919)
Legislators' Trees	
Total Operating Expense	(33,692)
DNR Inn Expansion	
Biennial Capital	(6,000,000)
House of Representatives	
Biennial Capital	(1,500,000)
Total General Fund Appropriation Reductions	(10,563,025)

The DNR Inn Expansion and the House of Representatives appropriations are biennial capital appropriations and were available for expenditure on July 1, 2001. The status of any approved expenditures under these appropriations depends upon actions recommended by the Budget Committee.

Repeal of CHIP Program: The bill repeals the statutory authority and the dedicated funding source of the state match for the Children's Health Insurance Program (CHIP) as of July 1, 2002. It further specifies that the program may not be discontinued until the State Plan amendment to do so has been approved by the U.S. Department of Health and Human Services. Depending upon the time necessary for a State Plan amendment, the loss of the state dedicated funding source on July 1, 2002, may not coincide with the cessation of services to individuals. However, the Medicaid General Fund appropriation is open-ended, and at a minimum the Medicaid eligibility expansion portion of the CHIP program should have access to General Fund augmentations. The fiscal impact of this provision for FY 2003 is unknown, although the Tobacco Master

Settlement Agreement Fund appropriation for CHIP for the year is \$33.6 M. CHIP expenditures are reimbursed with a 75% federal match rate.

Medicaid Provisions: The bill repeals the CHIP program and also reduces the Medicaid financial eligibility level for Children to the “pre-CHIP” levels. Medicaid currently provides services for all children from birth to age 19 years with family incomes under 150% of the federal poverty guidelines. The CHIP Part C program covers children between 150% to 200% of the federal poverty level and requires a small monthly premium. The Tobacco appropriation provides the state matching funds for both the Medicaid eligibility expansion and the CHIP Part C program. “Pre-CHIP” Medicaid eligibility levels were 150% of the federal poverty level for infants age 0 to one year; 133.3% of the federal poverty level for children ages 1 year to 6 years; and 100% of the federal poverty level for children ages 7 years to 19 years of age. 100% of the Federal Poverty Level is currently \$17,650 for a family of four. 150% is about \$26,475. The number of children that would lose eligibility and the associated savings to the Medicaid/CHIP program is unknown.

The bill also repeals the Health Insurance Educator within the Department of Insurance. This program was a provision of PL 258-2001. Estimated to cost approximately \$50,000 annually, this program was identified as an item to be cut from the Department’s budget as a cost savings measure. As a result there should be no fiscal impact.

Explanation of State Revenues: The bill would reduce the federal funds received as reimbursement for Medicaid and CHIP program expenses.

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill reduces funds available to local health departments by \$3 M with the reduction of the Local Health Department Account distribution. Additionally the bill reduces funds for Community Health Centers by \$16 M. The extent to which local health departments received grant support for local programs under the Tobacco Use Prevention and Cessation Fund grants is unknown.

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning, Division of Disability, Aging, and Rehabilitative Services, The Tobacco Use Prevention and Cessation Agency, State Department of Health, State Treasurer, State Budget Agency, State Department of Insurance, Department of Natural Resources.

Local Agencies Affected: Local Health Departments and Community Health Centers.

Information Sources: